

CAI  
TC  
- 68 K26



Kennedy Round  
Cereals Agreement





CAI TC

68K26

copy 2

NO. 5

### PREAMBLE

Each signatory to this Agreement agrees to negotiate a grains arrangement, on as wide a basis as possible, that contains the provisions set forth herein, to work diligently for the early conclusion of the negotiation and upon completion of the negotiation to seek acceptance of the Arrangement in accordance with its constitutional procedure as rapidly as possible.





Principal Items of World Grains  
Arrangement

I. Pricing provisions

1. The Schedule of minimum and maximum prices, basis f.o.b. Gulf ports, is established for the duration of this arrangement as follows:

	<u>Minimum</u> <u>price</u>	<u>Maximum</u> <u>price</u>
	(US dollars per bushel)	
<u>Canada</u>		
Manitoba 1	1.95½	2.35½
Manitoba 3	1.90	2.30
<u>United States</u>		
Dark Northern Spring No. 1, 14%	1.83	2.23
Hard Red Winter No. 2 (ordinary)	1.73	2.13
Western White No. 1	1.68	2.08
Soft Red Winter No. 1	1.60	2.00
<u>Argentina</u>		
Plate	1.73	2.13
<u>Australia</u>		
F.A.Q.	1.68	2.08
<u>EEC</u>		
Standard	1.50	1.90
<u>Sweden</u>	1.50	1.90

2. The minimum prices and maximum prices for the specified Canadian and US wheat, f.o.b. Pacific NW ports shall be 6 cents less than the prices in paragraph 1.

3. The schedule of minimum prices may be adjusted in accordance with the provisions of IV below.

4. The minimum price and maximum price of FAQ Australian wheat f.o.b. Australian ports shall be 5 cents below the price equivalent to the c. and f. price in United Kingdom ports of the minimum price and maximum price for US Hard Red Winter No. 2 (ordinary), f.o.b. Gulf ports, specified in paragraph 1, computed by using currently prevailing transportation costs.

Principal Items of Work  
1917-1918

Principal Items of Work

1. The schedule of material and engine orders, under T.O. 1, is maintained in the office of this department at all times.

(For details see page 1)

Engine

Material	Engine
1.50	2.50
1.50	2.50

United States

1.50	2.50	1.50	2.50
1.50	2.50	1.50	2.50
1.50	2.50	1.50	2.50
1.50	2.50	1.50	2.50

Material

1.50	2.50
1.50	2.50

Material

1.50	2.50
1.50	2.50

Material

1.50	2.50
1.50	2.50

Material

1.50	2.50
1.50	2.50

2. The schedule of material and engine orders, under T.O. 1, is maintained in the office of this department at all times.

3. The schedule of material and engine orders, under T.O. 1, is maintained in the office of this department at all times.

4. The schedule of material and engine orders, under T.O. 1, is maintained in the office of this department at all times.



5. The minimum prices and maximum prices for Argentine wheat, f.o.b. Argentine ports, for destinations bordering the Pacific and Indian Oceans, shall be the prices equivalent to the c. and f. prices in Yokohama of the minimum prices and maximum prices for US 2 Hard Red Winter (ordinary) wheat f.o.b. Pacific NW ports, specified in paragraph 2, computed by using currently prevailing transportation costs.

6. The minimum prices and maximum prices for  
-----the specified US wheat, f.o.b. US Atlantic,  
Great Lakes and Canadian St. Lawrence ports,

-----the specified Canadian wheats, f.o.b. Ft. William/  
Port Arthur, St. Lawrence ports, Atlantic ports, and Churchill,

-----Argentine wheat, f.o.b. Argentine ports, for  
destinations other than those specified in paragraph 5,

shall be the prices equivalent to the c. and f. prices in Antwerp/Rotterdam of the minimum prices and maximum prices specified in paragraph 1, computed by using currently prevailing transportation costs.

7. The minimum prices and maximum prices for the EEC standard wheat shall be the prices equivalent to the c. and f. price in the country of destination, or the c. and f. price at an appropriate port for delivery to the country of destination, of the minimum prices and maximum prices for Hard Winter No. 2 (ordinary) wheat f.o.b. United States, specified in paragraphs 1 and 2, computed by using currently prevailing transportation costs and by applying the price adjustments corresponding to the agreed quality differences set forth in the scale of equivalents.

8. The minimum prices and maximum prices for Swedish wheat on sample or on description, f.o.b. Swedish ports, shall be the prices equivalent to the c. and f. price in the country of destination, or the c. and f. price at an appropriate port for delivery to the country of destination, of the minimum prices and maximum prices for that wheat as specified in paragraph 1, computed by using currently prevailing transportation costs.





II. Commercial purchases and supply commitments

1. Each member country when exporting wheat undertakes to do so at prices consistent with the price range.

2. Each member country importing wheat undertakes that the maximum possible share of its total commercial purchases of wheat in any crop year shall be purchased from member countries, except as provided in paragraph 4 below. This share will have to be determined at a later stage and will be dependent upon the extent to which other countries accede to the Arrangement.

3. Exporting countries undertake, in association with one another, that wheat from their countries shall be made available for purchase by importing countries in any crop year at prices consistent with the price range in quantities sufficient to satisfy on a regular and continuous basis the commercial requirements of those countries subject to the other provisions of this Agreement.

4. Under extraordinary circumstances a member country may be granted by the Council partial exemption from the commitment contained in paragraph 2 upon submission of satisfactory supporting evidence to the Council.

5. Each member country when importing wheat from non-member countries shall undertake to do so at prices consistent with the price range.

III. Role of maximum prices

1. The role of maximum prices shall be in general conformity with that set forth in the International Wheat Agreement of 1962.

2. Provision shall be made for continuous review by the Secretariat of the Grains Council of the situation with regard to the arrangements in respect of maximum prices and for initiating the necessary action.

3. Durum wheat and certified seed wheat shall be excluded from the provisions relating to maximum prices.

IV. Role of minimum prices

The purpose of the schedule of minimum prices is to contribute to market stability by making it possible to determine when the level of market prices for any wheat is at or approaching the minimum of the range. Since price relationships between types and qualities of wheat fluctuate with competitive circumstances, provision is made for review of and adjustments in minimum prices, on the basis of the following principles:

Digitized by the Internet Archive  
in 2023 with funding from  
University of Toronto

<https://archive.org/details/31761119732279>



1. If the Secretariat of the Grains Council in the course of its continuous review of market conditions is of the opinion that a situation has arisen, or threatens imminently to arise, which appears to jeopardize the objectives of the Arrangement with regard to the minimum price provisions, or if such a situation is called to the attention of the Secretariat of the Council by any member country, the Executive Secretary shall convene a meeting of the Prices Review Committee within two days and concurrently notify all member countries.

2. The Prices Review Committee shall review the price situation with the view to reaching agreement on action required by member participants to restore price stability and to maintain prices at or above minimum levels and shall notify the Executive Secretary when agreement has been reached and of the action taken to restore market stability.

3. If after three market days the Prices Review Committee is unable to reach agreement on the action to be taken to restore market stability, the chairman of the Council shall convene a meeting of the Council within two days to consider what further measures might be taken. If after not more than three days of review by the Council any member country is exporting or offering wheat below the minimum prices as determined by the Council, the Council shall decide whether provisions of the agreement shall be suspended and if so to what extent.

4. When any minimum price has been adjusted in accordance with the foregoing, such adjustments shall terminate when the Prices Review Committee or the Council finds that the conditions requiring the adjustments no longer prevail.

5. Denatured wheat shall be excluded from the provisions relating to minimum prices.

#### V. International Food Aid

1. The countries party to this Agreement-agree to contribute wheat, coarse grains, or the cash equivalent thereof, as aid to the developing countries, to an amount of 4.5 million metric tons of grain annually. Grains covered by the programme shall be suitable for human consumption and of an acceptable type and quality.

2. The minimum contribution of each country party to this Agreement is fixed as follows:





	<u>%</u>	<u>(1,000 metric tons)</u>
United States	42.0	1,890
Canada	11.0	495
Australia	5.0	225
Argentina	0.5	23
EEC	23.0	1,035
United Kingdom	5.0	225
Switzerland	0.7	32
Sweden	1.2	54
Denmark	0.6	27
Norway	0.3	14
Finland	0.3	14
Japan	5.0	225

Countries acceding to the Arrangement may make contributions on such a basis as may be agreed.

3. The contribution of a country making the whole or part of its contribution to the programme in the form of cash shall be calculated by evaluating the quantity determined for that country (or that portion of the quantity not contributed in grain) at US\$1.73 per bushel.

4. Food aid in the form of grain shall be supplied on the following terms:

- (a) Sales for the currency of the importing country which is not transferable and is not convertible into currency or goods and services for use by the contributing country.<sup>1</sup>
- (b) A gift of grain or a monetary grant used to purchase grain for the importing country.

Grain purchases shall be made from participating countries. In the use of grant funds, special regard shall be had to facilitating grain exports of developing member countries. To this end priority shall be given so that not less than 25 per cent of the cash contribution to purchase grain for food aid or that part of such contribution required to purchase 200,000 metric tons of grain shall be used to purchase grains produced in developing countries. Contributions in the form of grains shall be placed in f.o.b. forward position by donor countries.

5. Countries party to the Arrangement may, in respect of their contribution to the food aid programme, specify a recipient country or countries.

-----

<sup>1</sup>Under exceptional circumstances an exception of not more than 10 per cent could be granted.





VI. Miscellaneous

A grains arrangement must include, among other things, acceptable provisions relating to such issues as voting rights, definition of commercial transactions, guidelines for non-commercial transactions, safeguards for commercial transactions, and provisions concerning wheat flour which take into account the special nature of international trade in flour.

VII. Duration

The Arrangement shall be effective for a three-year period.

VIII. Accession

The terms and conditions of accession of countries not original signatories to this Agreement shall be decided upon in subsequent negotiations.

IX. Subsequent negotiations

Nothing in subsequent negotiations shall prejudice the commitments undertaken in this Memorandum of Agreement.





## THE KENNEDY ROUND CEREALS AGREEMENT

THE SUCCESSFUL CONCLUSION in the Kennedy Round of an agreement covering international trade in wheat, which accounts for over 10 per cent of Canada's annual exports, is a significant achievement. Trade in wheat has traditionally been conducted in accordance with the provisions of successive International Wheat Agreements extending back over 17 years. The IWA of 1962 was twice extended beyond its three-year duration, in 1965 and again in 1966, pending the outcome of negotiations towards a broader grains agreement being conducted by the major grain-trading countries participating in the Kennedy Round.

## Countries Participating

The Cereals Group, formed in 1963 and enlarged in the latter stages of the negotiations, included the four major exporters --Argentina, Australia, Canada and the United States. The major importing countries in the group were Japan, Britain, and the EEC; the other members were Denmark, Sweden, Switzerland, Norway and Finland. These nations concluded an agreement on a new and higher price schedule for wheats and each accepted a commitment to contribute to a 4.5 million-metric-ton food aid program for grains.

## Price Range

Of primary interest to Canada and particularly to the wheat producers of Western Canada is the agreement reached on a higher price range for wheat, which reflects the changing conditions over the period since the 1962 International Wheat Agreement was signed. The new price range involves a 21 per cent per bushel increase in both the minimum and maximum price for No. 1 Northern (Manitoba 1) over the current IWA price range which expires on July 31. Set out in Table I is the schedule of minimum and maximum prices included in the agreement.

In contrast to the IWA, which specified a minimum and maximum price only for Manitoba 1, the schedule in this agreement identifies ten major grades of wheat with agreed minimums and maximums. The inclusion of wheat from all major exporting countries provides greater assurance of equivalent obligations by all member countries in complying with the objective of price stability and the observance of minimum prices.



The difficulties involved in reaching agreement on price relationships between grades had proved insoluble throughout the history of the earlier International Wheat Agreements and this new pricing framework represents a significant advance. Although wheats may compete freely on price within the agreed range, considerable importance is placed on the quality differentials that would prevail in a circumstance where one or more prices approach the minimum of the range. In recognition that price relationships between types and qualities of wheat may fluctuate over time with competitive circumstances, provision is made for review of and temporary adjustments in these relationships. Consultative procedures are set out in the agreement to provide for this contingency, which enable the Prices Review Committee or the Council to ensure market stability and observance of agreed minimums.

#### Interpretation of the Schedule

There are complex technical questions involved in giving a precise interpretation of the schedule. However, the following are the essential points. United States No. 2, hard red winter wheat (ordinary protein) was chosen for the base grade instead of Manitoba 1 as in the IWA. The minimum and maximum prices for other wheats have been related to this base. The advantages in this choice are that Gulf ports are open for navigation the year round, and that H.R.W. No. 2 is a wheat which trades in volume with a quality which places it in the middle area of the price range.

The principle was accepted of equating prices in the major import markets, allowing for quality differentials and using currently prevailing freight rates. For example, the minimum price for Manitoba 1 in store the Lakehead is calculated by adding the freight from the Gulf to Antwerp/Rotterdam, subtracting the freight costs back to the Lakehead, and converting to Canadian currency. The resulting minimum for Manitoba 1 in store the Lakehead, using currently prevailing freight rates, would be Can. \$1.95½ and the maximum Can. \$2.38½ per bushel.

For shipments from Pacific ports, which now handle over one-third of Canadian wheat exports, the Gulf port schedule was simply reduced by 6 cents per bushel for each grade. The new minimum for Manitoba 1, f.o.b. Vancouver, works out to Can. \$2.03½ and the maximum to Can. \$2.46½.





## Food Aid

The establishment of a multilateral food aid program represents an unprecedented advance in assuring continuing supplies of wheat, flour and other grains for needy countries. The increasing demand for donations of food grains in recent years has placed an undue burden on the efficient wheat-producing countries. All members of the Agreement, including the grain-supporting countries, have made a commitment to provide a specified quantity of grain, either in kind or through a cash contribution for the purchase of grains.

In Table II the annual quantitative commitment and percentage share of this 4.5 million-metric-ton program for each participant are listed. Canada's undertaking of half a million tons, representing 11 per cent of the total, is the second largest single-country contribution. The administrative details of the program have yet to be worked out but additional membership of developed countries may well add to the size of the total program. Each donor country may specify a recipient country or countries for its contribution. It has also been agreed that preference be given to developing countries as a source for the purchase of grains from cash contributions.

## The Next Stage

The signatories to the Kennedy Round Agreement, in association with other members of the International Wheat Council, are now actively engaged in bringing about a full grains agreement incorporating the provisions outlined above. The aim is to achieve the widest possible participation of all interested countries and to bring the new agreement into effect at the earliest possible date. The administrative provisions of the 1962 IWA are being continued beyond the July 31st terminal date to cover the intervening period until a new agreement comes into effect.

Although considerable work remains to be done in completing the text of a full agreement, the basic elements of a price range and food aid program have been determined. Other elements include rules relating to concessional sales and safeguards for commercial marketings. Consideration will also be given to limitations on the use of export subsidies, particularly for flour.

We can now look forward to an era of even closer co-operation among grain-trading countries in the common objectives of equilibrium and price stability in world markets.





TABLE I  
PRICE SCHEDULE  
(basis f.o.b. Gulf ports)

	Minimum Price (U.S. \$ per bushel)	Maximum Price (U.S. \$ per bushel)
Canada		
Manitoba 1	1.95½	2.35½
Manitoba 3	1.90	2.30
United States		
Dark Northern Spring No. 1, 14%	1.83	2.23
Hard Red Winter No. 2 (ordinary)	1.73	2.13
Western White No. 1	1.68	2.08
Soft Red Winter No. 1	1.60	2.00
Argentina		
Plate	1.73	2.13
Australia		
F.A.Q.	1.68	2.08
EEC		
Standard	1.50	1.90
Sweden	1.50	1.90

TABLE II  
FOOD AID CONTRIBUTIONS

	Percent share	(metric tons '000)
United States	42.0	1,890
European Economic Community	23.0	1,035
Canada	11.0	495
Australia	5.0	225
Britain	5.0	225
Japan	5.0	225
Sweden	1.2	54
Switzerland	0.7	32
Denmark	0.6	27
Norway	0.3	14
Finland	0.3	14









